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Bosnia-Herzegovina

Grain and Feed

Crop Update

2006

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Report Highlights:

According to the Bosnia and Herzegovina (BiH) Entities' Agricultural Ministries, the winter wheat crop is developing well. A total yield of around 175,000 MT is expected from an area of 72,000 ha, which will supply about only 30% of the country's consumption needs. Spring weather conditions have delayed corn planting, and total corn area will be approximately 200,000 hectares, which is down by more than 10% from the last year. This is mostly due to a value added tax (VAT) of 17% on agricultural inputs that was introduced on January 1, 2006. Before that, a zero tax rate was applied to agricultural inputs. All grain production is expected to be lower than last year due to the VAT unless the authorities provide more support to farmers. Total spring barley area is estimated at around 15,000 ha.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Vienna [AU1]
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Wheat

According to Bosnia-Herzegovina (BiH) Entities Ministries of Agriculture ¹, the 2005/06 crop has wintered well. Total wheat area is around 72,000 hectares and early estimates point to an average yield of 2.7 t/ha and a total yield of around 175,000 MT. BiH usually imports around 350,000 MT – 400,000 MT of wheat in one marketing year.

According to the agricultural ministries, there will be no major changes in wheat area in 2006/2007. However, the value added tax (VAT) of 17% that was introduced on January 1, 2006 is now applied to all agricultural inputs. Before that, a zero tax rate was applied to agricultural seeds, fertilizers and chemicals. Therefore, a decrease in wheat area in 2006/2007 is likely to occur unless the authorities decide to provide subsidies to lessen the impact of the VAT.

Corn

Total corn area is expected to be 200,000 ha for 2006/07 (155,000 ha for the Republika Srpska and 45,000 ha for the Federation). The corn area is down by more than 10% from the last season, most likely because of the recently introduced VAT. The RS agricultural ministry will subsidize the fuel cost up to approximately 40% (farmers will pay approx. 60% of the fuel cost), in order to reduce the negative impact of 17% VAT rate for agricultural inputs.

According to the agricultural ministries, there will be no major changes in the 2007/08 corn area. The average yield in the BiH is 3.5 t/ha.

Barley

Total spring barley area for 2006/07 is expected to be around 15,000 ha (around 5,000 ha in the RS and 10,000 ha in the Federation) with an average yield of 2.5 tons/ha. No major changes in 2007/08 areas are expected.

Tariffs

Currently, there are no quotas or quantitative restrictions for grain imports into the country.

The current tariff schedule includes:

	Tariff %
1001 / wheat and spelt	
1001 10 / durum	5
1001 10 00 10/ for sowing	0
1001 90/the rest	
1 v001 90 10 00/ for sowing	0
1001 90 99 00/ the rest	5
1003 00/barley	
1003 00 10 00/for sowing	0
1003 00 90 00/the rest	5

¹ Under the Dayton Peace Agreement, Bosnia and Herzegovina (BiH) is divided into two Entities, the Federation of Bosnia and Herzegovina (F BiH) and Republika Srpska (RS). The Entities are responsible for agricultural and food issues, and there is no national-level agricultural ministry/department.

1003 00 90 10/for malt	5
1005/corn	
1005 10/for sowing, hybreeds	5
1005 90/the rest	10
1005 90 00 90/for feed	0

An additional 1% customs fee is applied on all imported goods.

The following countries have free trade agreements with BiH for which zero-duty tariffs apply: Croatia, Serbia and Monte Negro, FYR Macedonia, Albania, Romania, Bulgaria, Moldova and Turkey.

Consumption

Wheat: 600,000 MT (500,000 MT industry, 65,000 MT for farm use, 35,000 MT seed)

Corn: 1,000,000 MT animal feed (industry and for farm use)

Barley: 75,000 MT animal feed (industry and for farm use)

The corn consumption has been increasing in the last several years because of the developing livestock and poultry industries. However, it was significantly lowered in the second half of 2005 because of the avian flu concerns and decreased poultry consumption. This trend continued throughout the first quarter of 2006.

Trade and Stocks

Bosnia-Herzegovina usually imports around 350,000 MT – 400,000 MT of wheat in a marketing year. In the 2005 calendar year, BiH imported wheat, flour and pasta valued at 119.5 million KM (\$76 million)² or approximately 400,000 MT. The share of milling wheat was 105.5 million KM (\$67 million). The most of the wheat, 54% was imported from Hungary, 22% from Serbia and 13% from the Russian Federation. The U.S. share was 1.3%. Stocks are estimated to be around 100,000 MT.

BiH usually imports around 150 MT of corn in a marketing year. The imported quantity of corn in CY 2005 was valued at 53.6 million KM (\$34 million). BiH imported a larger volume in 2004, approximately 200 MT, due to the increased consumption by the developing poultry and livestock industries. However, the poultry industry was seriously damaged during the second half of 2005 and the beginning of 2006 because of avian flu concerns, which has affected corn imports as well. Most of the imported corn, 92%, came from Serbia.

Total barley imports amounted to approximately 24,000 t valued at 6.3 million KM (\$4 million).

Exports of grains are minor. The total exported value of wheat (including flour and pasta), corn and barley in CY2005 was 7.1 million KM (\$4.5).

² Source: BiH Agency of Statistics

Domestic Support

There are two Entities in Bosnia and Herzegovina and two agricultural ministries accordingly, responsible for agricultural support. A minimum percentage of the total Entities' budgets is earmarked for subsidies every year, 4% in the Republika Srpska and 3% in the Federation. The amount earmarked for agricultural support this year is 28 million KM in the Federation and 41.06 million KM in the RS, totaling 69.06 million KM or \$44 million. In addition, the Federation of BiH consists of ten Cantons and each Canton has its own ministry of agriculture or economy responsible for agricultural issues. The Cantons and even municipalities of the Cantons have their own supplementary subsidies – it is difficult to assess the exact totals, but the amount spent every year is estimated to be between 10 and 20 million KM (\$6.3 – \$12.6 million).

Every year the Entities' agricultural ministries publish a detailed support plan. In 2006, the Republika Srpska will subsidized seed wheat at 100 KM/t (\$63) and seed corn at 500 KM/t (\$316.45). This year the cost for fuel used in agriculture will be subsidized up to approximately 40%. The Federation of Bosnia and Herzegovina will subsidized wheat for seed at 600 KM/ha (\$381) and mercantile wheat and barley at 60 KM/t (\$38).

Biotechnology

According to the provisions of the Food Law adopted in November 2004, an applicant must obtain a permit from the BiH Food Agency for marketing all novel foods for the first time in BiH, including biotech products. However, the Food Agency has not yet been established, and the regulations pursuant to the import and marketing of novel foods/genetically modified organisms (GMOs) have not yet been drafted. According to the Food Law, the permits for placing novel foods on the market and feed that contains or consists of GMOs shall not be issued until the adoption of the implementing regulations, meaning that no imports of GMOs are allowed into the country at present. The Law does not regulate the labeling of biotech products, and it will most likely be set by regulations that will follow. Previous to the Food Law's adoption, local authorities opposed imports of biotech food products.

Exchange rate on 4/28/2006: \$1 = 1,5755 KM (Convertible Mark).